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January 22, 2016

TO: Each Supervisor

FROM: Cynthia A. Harding, M.P.H.  
Interim Director

SUBJECT: **DEPARTMENT OF PUBLIC HEALTH'S INTENT TO OPT INTO THE  
DRUG MEDI-CAL ORGANIZED DELIVERY SYSTEM WAIVER  
AMENDMENT**

This is to inform your Board of the Department of Public Health (DPH), Substance Abuse Prevention and Control (SAPC) program's intent to opt into the California Department of Health Care Services' (DHCS) Drug Medi-Cal Organized Delivery System (DMC-ODS), a part of the State's section 1115 Medicaid waiver.

On August 13, 2015, DHCS received approval from the federal Centers for Medicare and Medicaid Services (CMS) to amend its section 1115 demonstration project to include development of the DMC-ODS that authorizes a range of additional benefits and federal funding to create a much fuller continuum of substance use disorder (SUD) services for Medi-Cal-eligible beneficiaries. On December 30, 2015, the State received federal approval for a 5-year renewal of its section 1115 waiver, which includes the DMC-ODS. The central aims of the DMC-ODS are to improve health outcomes and contain overall costs within the Medi-Cal program.

California's counties have the option to participate in the waiver to provide newly available services to qualifying residents. On January 21, 2015, DPH informed the Board that SAPC had submitted to DHCS a County Expression of Interest in opting into the DMC-ODS waiver amendment.

**Service Expansion and the Importance of Expanded Access to Treatment**

As reported to your Board on July 31, 2015, the DMC-ODS waiver offers a considerably expanded benefits package for all Medi-Cal beneficiaries who would qualify for these services based on medical necessity. The DMC-ODS waiver continuum of care will include withdrawal



management (formerly detoxification services), residential treatment, and medication-assisted treatment, in addition to already available outpatient, intensive outpatient, and narcotic treatment programs. Additional services will also include a 24-hour toll-free access line to ensure that individuals are placed in the appropriate level of care, case management, recovery support, and coordination with physical and mental health. Further, the new delivery system features will include use of the American Society of Addiction Medicine (ASAM) Criteria as a care management tool to inform placement and treatment plans, physician consultation for SUD treatment providers, and enhanced quality assurance and utilization management activities.

The range of new SUD services and delivery system features have the potential to meaningfully advance client health outcomes. These improvements will be particularly helpful for individuals who are homeless, in diversion programs or reentering communities from incarceration, diagnosed with co-occurring health, mental health, and/or SUD conditions. The DMC-ODS waiver benefits could also yield overall savings to the safety net health care delivery system with the potential to reduce avoidable emergency department use and hospitalizations, particularly through greater service integration with physical and mental health care. Most importantly, enhanced service quality will improve the quality of life for clients, their families, and communities.

### **Financing the DMC-ODS Waiver**

The County would use currently available funding streams to support the new benefit package under the waiver. Those funds include County Realignment, Federal Financial Participation (FFP, or matching funds), the Substance Abuse Prevention and Treatment (SAPT) Block Grant, and State General Funds. Consequently, implementing the DMC-ODS Waiver in Los Angeles County would not require additional net county cost for Medi-Cal eligible beneficiaries.

Federal financial support for waiver services will be considerable. Under the financing available through the Affordable Care Act (ACA), the federal share of costs for Medicaid beneficiaries who became newly eligible through the ACA in 2014 will be 100 percent through 2016, descend incrementally to 90 percent by 2020, and remain at that level thereafter. The County will continue to be responsible for 50 percent of the service costs of beneficiaries who were eligible before the ACA's Medicaid expansion.

The County can finance the remaining share of its DMC-ODS waiver costs through its currently available funding streams. First, 2011 Realignment moved the financing stream for DMC from the State General Fund to a Realignment behavioral health subaccount supported by dedicated State sales tax and vehicle license fee revenue. The financing rules from 2011 Realignment remain the same, and Los Angeles County will continue to receive monthly deposits into the behavioral health subaccount, which would support services that are newly available through the waiver. Additionally, the County receives funding through the SAPT Block Grant from the federal Substance Abuse and Mental Health Services Administration (SAMHSA). The SAPT



Block Grant will support services that are not funded by FFP through Medicaid, such as the room and board component of residential treatment.

<b>Funding Sources for the Drug Medi-Cal Organized Delivery System</b>		
<b>DMC-ODS Costs</b>	<b>State/Local Financial Participation (%)</b>	<b>Federal Financial Participation (%)</b>
Services for Beneficiaries Eligible Prior to the ACA	50%*	50%
Services for Beneficiaries Newly Eligible Through the ACA	0% in 2016 increasing to 10% in 2020 and thereafter*	100% in 2016; decreasing to 90% in 2020 and thereafter
Administration of the DMC-ODS	25%**	75%
* Funding Sources: Realignment, State General Funds		
** Funding Source: Realignment		

**Board Action to Enact Contract with the State to Provide DMC-ODS Waiver Services**

DPH-SAPC will proceed with the development of a DMC-ODS implementation plan, which is required to participate in the waiver. When the implementation plan has been completed, DPH will submit the plan to your Board. Additionally, prior to entering into a contract with the State that requires implementing the Special Terms and Conditions as specified by the DMC-ODS waiver, DPH will seek your Board's approval. DPH will also continue to provide the Board with updates during this process.

If you have any questions or need additional information, please let me know.

CAH:jmc

c: Chief Executive Officer  
County Counsel  
Acting Executive Officer, Board of Supervisors  
Auditor-Controller  
Director, Department of Health Services  
Director, Department of Mental Health